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EXPLANATION AND JUSTIFICATION

1. Purpose of Proposed Bill

a. The proposed bill permits the Central Intelligence Agency to improve its retirement program by authorizing the establishment of a retirement system corresponding to that of the Foreign Service. The Agency needs to attract and retain a force of highly qualified careerists in spite of its inability in fact to provide full-term careers for many individual officers. In order to minimize the adverse effects of necessary programs of managed attrition and to preserve its ability to recruit and retain the high caliber personnel it needs, the Agency must make reasonable provision for the future of those individuals who must be separated before completing a full-term career of thirty or so years. Therefore, Section 3 of the proposed bill adds a new paragraph (g) to Section 5 of the Central Intelligence Agency Act of 1949, as amended, authorizing the Director of Central Intelligence to exercise the authority available to the Secretary of State under Title VIII of the Foreign Service Act of 1946, as amended, in order to establish a retirement and disability system corresponding to that available to Foreign Service Officers for limited numbers of Agency employees.

b. Since all provisions pertaining to the retirement of Foreign Service Officers are not contained in Title VIII of the Foreign Service Act and since it is possible that future amendments relating to retirement may occur elsewhere than in Title VIII, it is necessary to make general provision for the Director of Central Intelligence to adopt provisions of law applicable to Foreign Service Officers for Agency employees. Additionally, most of the basic travel allowances and overseas benefits available to Foreign Service personnel are authorized for Agency employees by existing Section 4 of the Central Intelligence Agency Act of 1949, as amended. However, amendments to the Foreign Service Act over the years have of necessity required the Agency to seek legislation periodically in order to keep such authorities up to date and uniform with those available to Foreign Service personnel. Consequently, it is now proposed that the existing Section 4 of the Central Intelligence Agency Act be rescinded by Section 2 of the proposed bill. In lieu of the rescinded authorities, the new Section 4 of the Central Intelligence Agency Act authorizes the Director to adopt and apply to Agency employees provisions of law applicable to Foreign Service personnel and to exercise with respect to Agency employees the authority available to the Secretary of State for the purpose of having Agency employees accorded appropriate benefits, rights, and allowances now authorized for Foreign Service Officers.

2. Problem

All regular employees of the Central Intelligence Agency are at present covered by the provisions of the Civil Service Retirement Act. Such coverage is appropriate for those whose conditions, obligations, and terms of service are comparable to those of federal employees generally. However, the Agency has a serious problem in its need to make more adequate provision for certain

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of its employees who should be retired at an earlier age and with a more equitable annuity than can be provided under the Civil Service Retirement Act. This need stems from the fact that the Agency cannot provide to or expect from many individuals in its service a full-term working career of thirty or so years.

3. Background

a. The conditions underlying this situation are complex. For some years, the Agency has recognized that it faces a serious dilemma. On the one hand, the nature of its mission requires the employment of ~~very highly qualified and motivated people~~ and their continuing training and development over the years in highly specialized and esoteric fields of endeavor. In brief, career employment is essential to fulfill the majority of the Agency's requirements for personnel. On the other hand, factors directly related to the nature and conditions of service in foreign intelligence operations and factors affecting the capability and desire of individuals to remain in such work on a long-term basis make it infeasible to provide full-term career employment for all careerists.

b. The nature of the work involved in the Agency's operations requires people who have a high degree of vigor, vitality, endurance, resilience, and adaptability. Such traits are required to cope with the stresses and strains occasioned by uneven and uncertain hours and days of work, duty in unhealthy locations with less than adequate medical facilities, and arduous and, not infrequently, hazardous assignments. In summary, the nature of the Agency's mission requires people who accept the obligation to serve anywhere in the world and to be available for duty on a 24-hour-a-day basis.

c. There is a further requirement that officers serving overseas must normally perform their work under the cover of employment with some other organization, a requirement which limits their long-term utility. The usefulness of an officer is seriously impaired if not destroyed if his true employment affiliation is revealed. However, the longer he serves under cover, and particularly if his cover must be changed in the course of moves from one post to another, the greater becomes the risk that his true affiliation will be inadvertently revealed to or inferred by hostile parties. Finally, since most positions in cover organizations which can be made available for the Agency's use are those which would normally be manned by junior personnel of the host organization, it is difficult to find appropriate cover for any substantial number of officers of middle-age or over.

d. There are other factors pertaining to the individuals themselves which, over the years, limit their ability and desire to continue in overseas intelligence operations. First, there is "motivational exhaustion." This term is used to describe a gradual lessening of interest and enthusiasm of an officer as a result of impingements on his personal and family life. These stem from

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the transient nature of his assignments, the complications and restrictions of cover and security requirements, and intrusions on his family life occasioned by the requirement that he spend his apparent "leisure time" in performing additional Agency duties after completing his cover workday. Further, while all Agency employees are subject to security restrictions which place severe limitations on their personal freedoms, employees serving abroad are subject to even greater restrictions and, in addition, must conduct their personal affairs in a manner consistent with their cover employment. These factors tend to lessen the enthusiasm and willingness of the family to accompany the officer on further assignments overseas. Lastly, our experience has shown that many employees or members of their families will in time incur physical impediments which limit or preclude further assignment overseas.

e. In addition to providing for separation short of a full-term career for those officers who are affected by the factors described above, the Agency must also be equipped to deal with sudden and sometimes radical shifts in the types of personnel required. These shifts cannot always be met by retraining of personnel whose primary qualifications thus become obsolete or unnecessary and they become "occupationally surplus."

4. Manpower Control

a. The Agency finds it increasingly necessary to impose manpower controls to ensure appropriate alignment as to age, qualifications, and other characteristics of the body of employees engaged in conducting or supporting foreign intelligence operations. Insofar as possible, imbalances should and will be corrected by the reassignment of officers who cannot or should not continue in such work to other fields of work in the Agency. It is a certainty, nonetheless, that encouraged and induced attrition will be necessary. A program of managed attrition, however, is feasible only if it is linked with a system of retirement benefits which are sufficient to induce an employee or a prospective employee to take the risk that he may be one of those individuals who cannot serve a full-term career.

b. The seriousness of this risk to the individual is greatly augmented by the difficulty which he will encounter in effecting a transfer from intelligence operations to other government or commercial fields. The principal reason for this is that the special skills required for intelligence work are not ordinarily required in other fields. Other reasons are the inability of employees for cover and security reasons to describe or confirm to a prospective employer the scope and level of his duties and responsibilities. Further, there is a reluctance on the part of other employers, both government and private, who are engaged in business overseas to hire a former intelligence officer. This reluctance stems from their concern that the attitudes of foreign officials toward their enterprises might be adversely affected if they were known to employ "former spies."

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c. As part of its manpower control program, the Agency has instituted administrative procedures for identifying employees who become surplus to its needs because of the several factors described above and has recently engaged in an exercise which will result in the separation of approximately 150 such individuals. This process was made the more painful because of the relatively inadequate assistance which the Agency could offer those separated in making occupational transfers or in retiring prematurely. The benefits available were limited to those provided under the discontinued service provisions of the Civil Service Retirement Act and to modest separation compensation payments from the Agency related to years of service and salary.

5. Proposed Retirement System

a. In order to minimize the adverse effects of such programs on the Agency's ability to recruit and retain the caliber of personnel needed, and particularly to minimize their effects on the dedicated personnel already in the service of the Agency, better provision must be made for the futures of those individuals who are separated before completing a full-term career. An important means for doing so is to establish a retirement system permitting earlier retirement with a more nearly adequate and equitable annuity than is possible under the Civil Service Retirement System. The Foreign Service system is more suitable for Agency employees whose careers are concerned with intelligence operations. Aside from the additional special requirements of cover and security in CIA, these employees are subject to essentially the same conditions of service which were the basis for the development of the Foreign Service retirement system. 25X1C

By adopting a system corresponding to the Foreign Service system, the Agency can take advantage of the considerable study and experience which has gone into its development.

b. Such a retirement system would not be appropriate for all Agency employees and it is not the Agency's intention in requesting authority to establish such a system to apply it to all employees. The essential criteria for coverage under the proposed retirement system would be as follows:

(1) Career employees whose duties and responsibilities are predominantly concerned with the conduct and support of intelligence operations in foreign countries or with covert support in the United States of such operations under comparable conditions.

(2) Career employees whose duties are so specialized that they are placed at a special disadvantage when required to seek other employment.

6. Estimated Number of Employees under Proposed System

a. By the application of these criteria, a maximum of approximately Agency employees are potentially eligible for retirement under the new system. Normally, we would anticipate that an average of about 27 of

*Clarify that "this is only a small portion of those who are subject to overseas service."

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these employees would become eligible for optional retirement under the Civil Service Retirement System during each of the next five years. For the reasons presented in justification of our need for a retirement system comparable to that of the Foreign Service, and to correct imbalances in the age make-up of this group, we would hope, under the new system, to increase the average number of retirements from this group by about 40 in each of these years.

b. During the past year the average age of Agency personnel who retired under the Civil Service Retirement System was 66. We hope, in time, to lower the average retirement age of those under the new retirement system to about 55 years which is comparable to the average retirement age in the Foreign Service.

7. Cost Estimates

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** a. There will be certain increased costs for the administration of the retirement system which will be dependent upon the method by which the system is actually administered. There are two alternative methods of administering the system under consideration but final determination of the method will require further study of the security and other problems inherent in the administration of the program.

(1) The first of these methods would be by satelliting the funding of the program on a current retirement fund. If this method of funding were used it is anticipated that there would be minimum increased costs of administration of the part of the retirement system involved. Internal administration, however, which would involve identification of individuals under either the Civil Service Retirement System or the CIA Retirement System, would require some increased costs within the Agency. The costs of administering the program would be nominal during its first year but after five years it is estimated that the increased costs would amount to approximately \$15,000 per year and would involve approximately two man years.

(2) The alternative method would involve establishing internally within CIA a trust fund for the payment of annuities and would involve again very nominal costs at the beginning of the program. It is estimated that by the end of five years, the administration of the proposed program would cost approximately \$80,000 per year with an increase of approximately eight man years. The internal administration of the entire program would include maintenance of the trust fund, determinations of eligibility and entitlements, the payment of retirement benefits, and other related administrative matters.

b. There would be certain increased costs resulting from early retirements and the increased retirement rates granted individuals retiring under the CIA retirement program as opposed to the Civil Service retirement program. The amount of the increased costs during the early years would be quite nominal depending on the number of retirees but would increase as the magnitude of retirements as outlined in paragraph 6 developed.

* Need for "useful figures"
and actuarial costs.

** State rates of employee/agency
contributions under both CSE & FSR.

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